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<b>FISCAL POLICIES MANUAL.....</b>	<b>1</b>
<b>CREDIT CARD FEES POLICY.....</b>	<b>1</b>
<b>PREFACE.....</b>	<b>1</b>
<b>DEFINITIONS.....</b>	<b>1</b>
<b>POLICY.....</b>	<b>1</b>
<b>FISCAL IMPACT.....</b>	<b>2</b>
<b>ADMINISTRATIVE PROCEDURES.....</b>	<b>3</b>

# FISCAL POLICIES MANUAL

## CREDIT CARD FEES POLICY

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### PREFACE

Accepting credit cards as payment for State services or fees is becoming more common among State agencies. All agencies deciding to accept credit cards will need to evaluate which State services or fees will be eligible for payment with a credit card. This policy is designed to provide guidance to agency personnel evaluating credit card acceptance and the accounting for the associated fees.

### DEFINITIONS

Credit card – A credit card is any card that may be used by a consumer for payment of state services or fees and accepted by a financial institution through the credit card transaction terminals. These include but are not limited to:

- Credit cards
- Debit cards
- Cash Management Account Cards

### POLICY

Individual agencies should evaluate the costs and benefits of accepting credit cards for the payment of State services or fees. The discount fee, which is typically between two and three percent of the total dollar amount charged, will be the responsibility of the individual agency. Other costs may include equipment, training, and system modification. At this time the discount fees may not be passed on to the consumer.

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Agencies do have the option to determine which State services or fees they will and will not accept credit cards as payment. Agencies may not discriminate by transaction amount. However, as an exception, *Idaho Code 67-2026* requires any amount owed totaling \$100,000 or more be paid via electronic funds transfer. It is advised that when an agency evaluates which fees or services they will accept credit cards as payment, carefully look at whether the fees or taxes are mandatory or discretionary. Payment of mandatory taxes or fees by credit card may not significantly increase the amount of revenue received and may actually decrease it as a result of having to pay the discount fees involved.

Agency credit card discount fees should be recorded as an expense in the month in which they are paid. They should not be accounted as an offset to revenue. This only applies when the State is paying these fees. If an intermediary is being used to collect revenue and they are paying the discount fees, then no expense should be recorded by an agency. This also applies to de facto paying of the discount fees by the State when an intermediary is involved. If the intermediary collects revenue and deducts the discount fee from their remittance, revenue should be recorded in full with a corresponding expense to credit card discount fees to reflect the remitted amount.

## FISCAL IMPACT

The benefits to accepting credit cards include:

- Increased certainty of collection
- Reduced return check processing costs
- Accelerated payments and the availability of funds
- Improved audit trail
- Reduced cashiering costs
- Enhanced customer Service

The costs associated with accepting credit cards include:

- Payment of discount fees
- Delay of payment to the agency on disputed charges (especially transactions by phone or mail)
- Initial equipment and training costs
- System modifications

## **ADMINISTRATIVE PROCEDURES**

None